

# FINTECH, FINANCIAL INCLUSION AND SUSTAINABLE INVESTMENT

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ADA Chair in Financial Law (inclusive finance)

The presentation is based on two papers written by Douglas Arner, Ross Buckley and Dirk Zetsche:

- 1) *FinTech for Financial Inclusion – A Framework for Digital Financial Transformation*, <https://ssrn.com/abstract=3245287>, and
- 2) *Driving Digital Financial Transformation in Support of the SDGs - A Strategy to Leverage FinTech for Financial Inclusion, Development, Stability and Integrity*, <https://ssrn.com/abstract=3387359>

## Topic

- *FinTech & Sustainable Investments as buzzwords*
- *Financial Inclusion and Sustainable Investment real-world needs*
- *Investment flows into digitalization of finance and SI↑*
- *Is there a link? Where is the link?*
- *How can we further sustainable investments?*

# Agenda

*A. Topic v*

*B. Definitions*

*C. FT4FI as necessary intermediate step for SI*

*D. Towards a Framework for Digital Financial Transformation*

*E. Conclusions & Take Aways*

## B. Definitions

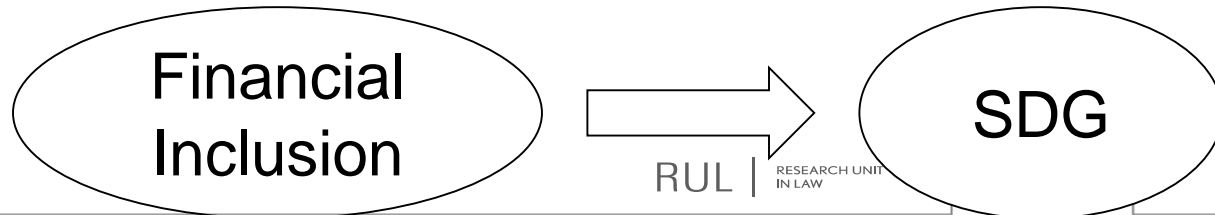
- *FinTech*
- *Financial Inclusion: ensuring access to financial services*
- *Sustainable Investments: investment that furthers the SDGs*

## C. FT4FI as precondition for reaching the SDGs

- *Neither FinTech nor financial inclusion mentioned explicitly in the SDGs; but lots of initiatives (AFI, UN, Worldbank etc.)*
- *Theses:*
  - *(1) Financial Inclusion & SDGs two sides of same coin*
  - *(2) Financial Inclusions depends on FinTech*
  - *(3) FT a precondition of any successful SDG strategy*

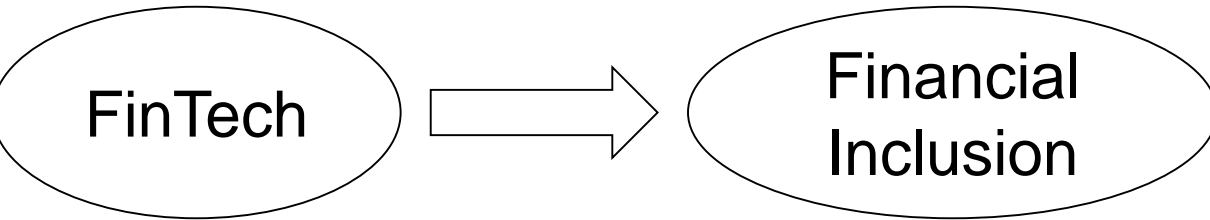
## FT4FI as precondition for reaching the SDGs

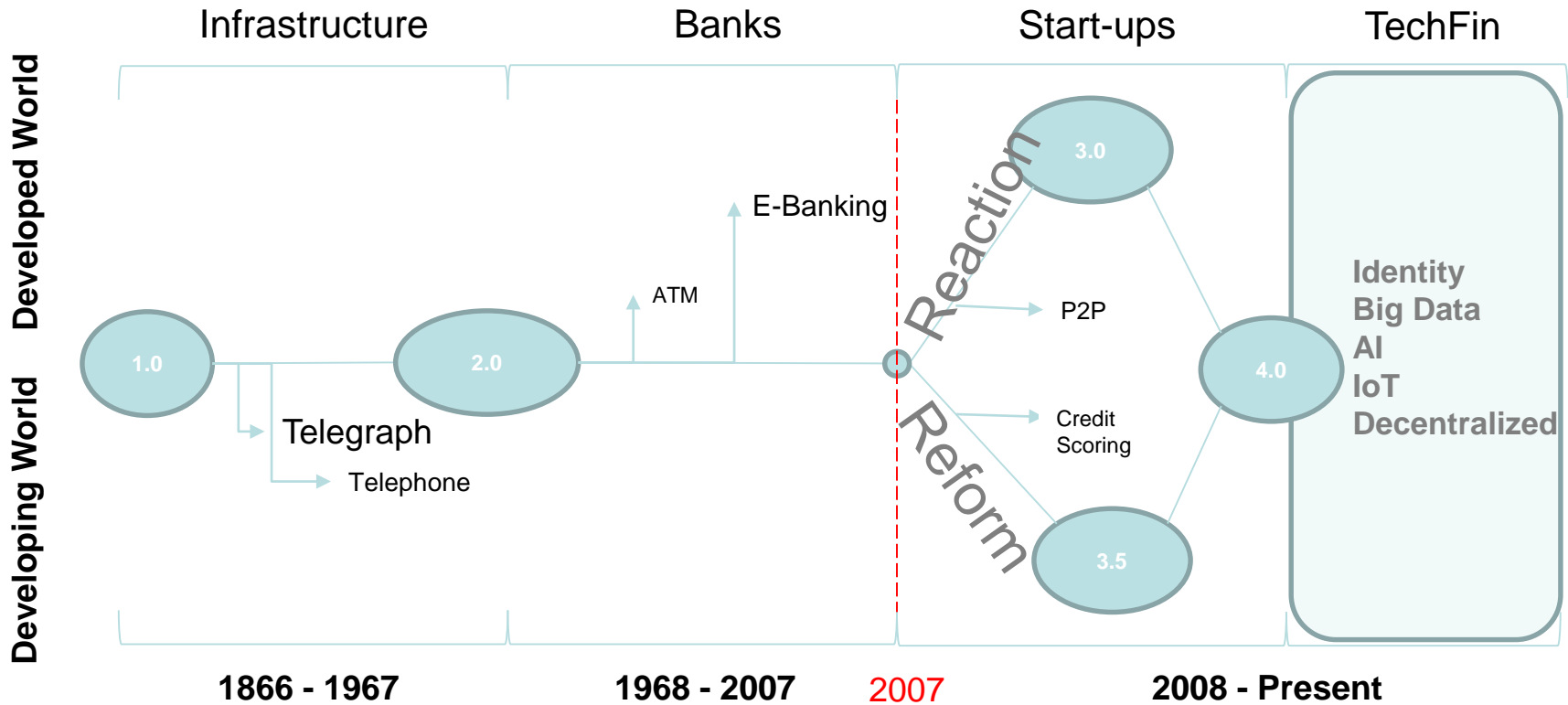
- *(1) SDGs preconditioned on Financial Inclusion*
  - *risk management: theft => higher consumption; solution: bank-like storage & transport*
  - *health risks - long education of little value; insurance secures long-term productivity, justifies education*
  - *Promoting prosperity while balancing risks (UNSDGs) = FI*



## FT4FI as precondition for reaching the SDGs

- *(2) Financial Inclusion depends on FinTech*







# Mobile vs Banking Penetration

Within developing parts of Asia, mobile phone ownership is more wide-spread than Bank account registration:

## China

Population: 1.35bn  
Formally Banked: 63%  
Mobile Phone: 89%

## India

Population: 1.25bn  
Formally Banked: 35%  
Mobile Phone: 71%

## Malaysia

Population: 29.7m  
Formally Banked: 66%  
Mobile Phone: 131%

## Australia

Population: 23.1m  
Formally Banked: 99%  
Mobile Phone: 107%



## South Korea

Population: 50.2m  
Formally Banked: 93%  
Mobile Phone: 111%

## Japan

Population: 127.3m  
Formally Banked: 96%  
Mobile Phone: 115%

## Vietnam

Population: 89.7m  
Formally Banked: 21%  
Mobile Phone: 131%

## New Zealand

Population: 4.47m  
Formally Banked: 99%  
Mobile Phone: 106%

## FT4FI as precondition for reaching the SDGs

- *(3) FT is a precondition of any successful SDG strategy*



No.	Goals	Impact	How FT4FI can further goal
1	No poverty	I	Allow for online financing, including credit and crowdfunding; create new income opportunities through online markets and payments; reduce impact of disasters
2	Zero hunger	I	Enhance financial stability; stabilize cash-flows through saving and lending
3	Good health and well-being	I	Provide health insurance and financial stability Enhancing government income and reducing leakages to increase financing available for health
4	Quality education	I	Enable financial planning and saving for school fees; Enhancing government income and reducing leakages to increase financing available for education
5	Gender equality	D	Strengthening female entrepreneurship and financial control
6-7	Water, sanitation, energy	I	Financing development and maintenance of infrastructure; further education of local sustainability expertise
8	Decent work and economic growth	D	Enable online financing, credit and crowdfunding; new (online) income and business opportunities
9	Industry, Innovation and Infrastructure	D	Provide financing for development and maintenance of infrastructure Enhancing government income and reducing leakages to increase financing available for infrastructure and R&D
10	Reduced inequalities	D	Enable funding of education and savings which provide the best opportunity for greater participation
16	Peace, justice and strong institutions	I	Robust economic development strengthens peace and civil institutions Enhancing government income and reducing leakages to improve governance, institutions and public trust
17	Partnerships	D	FT allows for engagement of private actors, multiplying assistance of public or state-supported actors

## FT4FI as precondition for reaching the SDGs

- *Theses:*
  - *(1) Financial Inclusion & SDGs two sides of same coin ✓*
  - *(2) Financial Inclusions depends on FinTech ✓*
  - *(3) FT a precondition of any successful SDG strategy ✓*
- *How to move forward?*

# FinTech for Financial Inclusion

– A Report to the Alliance for Financial Inclusion –

## Designing a Framework for Digital Financial Transformation

Douglas W. Arner  
Ross P. Buckley  
Dirk A. Zetsche

FT4FI (report to AFI)  
[www.ssrn.com/abstract=3245287](http://www.ssrn.com/abstract=3245287)



04 SEPTEMBER 2018



## D. Designing a framework for (inclusive) digital financial transformation

- Objectives: financial inclusion, growth, financial stability, market integrity
- **Pillar I: Empowering Access Digital ID / eKYC / simplified account opening**
- **Pillar II: Enabling use:** Digital payments infrastructure and open electronic payments systems
- **Pillar III: Scaling use** – digitisation of government payments and provision of services
- **Pillar IV: Expanding the quality and range of services:** Designing financial systems and structures

## D. Designing a framework for (inclusive) digital financial transformation

- Objectives: financial inclusion, growth, financial stability, market integrity
- **Pillar I: Empowering Access Digital ID / eKYC / simplified account opening**
  - Examples do exist for official ID systems (Adhaar etc.)
  - Business ID ≠ Official ID
  - Remanufacture Official ID from Business ID!

Digital ID/KYC Utilities

[www.ssrn.com/abstract=3224115](http://www.ssrn.com/abstract=3224115)



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  - Reduce entry costs



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  - Reduce entry costs
  - Important: remittances

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  - Examples: state subsidies, health services

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- **Pillar IV: Expanding the quality and range of services:** Designing financial systems and structures
  - From payment to credit to insurance to wealth management

## E. Take Aways

- (1) Financial Inclusion & SDGs two sides of same coin*
- (2) Financial Inclusion depends on FinTech*
- (3) FT a precondition of any successful SDG strategy*

## Recommended Readings on FinTech

TechFin / Data-driven Finance

[www.ssrn.com/abstract=2959925](http://www.ssrn.com/abstract=2959925)



FT4FI (report to AFI)

[www.ssrn.com/abstract=3245287](http://www.ssrn.com/abstract=3245287)



FT4FI vs SDGs

<https://ssrn.com/abstract=3245287>



Distributed Ledgers / Blockchain

[www.ssrn.com/abstract=3018214](http://www.ssrn.com/abstract=3018214)



Regulatory Sandboxes

[www.ssrn.com/abstract=3018534](http://www.ssrn.com/abstract=3018534)



ICO Goldrush

[www.ssrn.com/abstract=3072298](http://www.ssrn.com/abstract=3072298)



Digital ID/KYC Utilities

[www.ssrn.com/abstract=3224115](http://www.ssrn.com/abstract=3224115)



Against Hard Interest Rate Caps and  
Pro FinTech / RegTech

[www.ssrn.com/abstract=3159202](http://www.ssrn.com/abstract=3159202)



# Thanks!

FT4FI

[www.ssrn.com/abstract=3245287](https://www.ssrn.com/abstract=3245287)



FT4FI vs SDGs

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